

GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT

R&B Department – Widening and Strengthening of Cuddapah – Tadipatri Road (APSH-3) – Arbitration Awards – Out of court settlement – payment of claims with 14% interest to M/s. IRCON International Ltd., - Sanction – Accorded - Orders – Issued.

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TRANSPORT, ROADS & BUILDINGS (R.IV.2) DEPARTMENT

G.O.Rt.No. 614

Dated: 25-5-2009

Read the following:

1. From the Deputy General Manager, IRCON International Limited, Bangalore Lr.No. IRCON/ RO/BLR/APSH1&3, dated 26.10.2007.
2. From the Joint General Manager, IRCON International Limited, Bangalore, Lr.No. IRCON / RO / BLR / APSH 1 & 3/ 8213, dated: 29.11.2008.
3. From the Advocate General, Lr.No. 1243 / Opinion No. 61 / 08, dt 28-12-2008.
4. From the CE (R&B) CRN & MD, APRDC, Lr.No. 3202 / APSHP / Pack – 3 / DCE II / DEE 4 / AEE 5 /2009, dt. 21-2-2009.

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ORDER:

The Chief Engineer (R&B) Core Road Network & Managing Director, Andhra Pradesh Road Development Corporation in his letter 3<sup>rd</sup> read above has stated that there are 14 claims referred by M/s. IRCON International Ltd., under APSH -3 package (3 sets of claims); out of which 14 claims, the Arbitral Tribunal has given Award for eight claims in favour of contractor and rejected 6 claims; that the Government have filed a suit in City Civil Court to set aside the award in so far as the claims which are against the Government; that the contractor has filed an appeal in regard of one claim in City Civil Court for which the Award was against him. The Chief Engineer (R&B) & Managing Director, Andhra Pradesh Road Development Corporation while giving set wise claims, has stated that the award amount of Rs. 12,25,07,275/- upto 12-12-2007 will bear interest of Rs. 12.26 lakhs per month (approximately) from 1/2008 till the issue is resolved. As the possibility of any Arbitral awards being rejected in the courts appear to be remote and that the interest would be accrue on the award amount. He has suggested for an out of court settlement in the matter.

2. In his letter 3<sup>rd</sup> read above, the Advocate General has opined that these cases already passed through two stages i.e., before the Disputes Review Board and the other before the Arbitrary Tribunal and he expressed his doubts about the likelihood of interference of the awards by the Civil Courts. As the matters in the Civil Court would take considerable time and Government have to pay huge amounts of interest in case awards are confirmed and advised the Government to invite the claimant / IRCON International Ltd., for an amicable settlement through negotiations and to settle the matter out of court as interest component is on high side.

3. Based on the opinion of the Learned Advocate General, it was decided to attempt an amicable settlement of the long pending arbitration matter in Court. Accordingly, the committee under the chairmanship of Principal Secretary, TR&B discussed the points in dispute and observed that the IRCON is a Central Government organization and have come forward to withdraw their claim for Granular Sub Base (GSB) of Rs. 2.77 crores principle amount which will come to around Rs.5 crores with interest. The arbitrators have passed award for the claims with 18% interest. After negotiations with M/s. IRCON, it is felt appropriate to recommend to allow 14% interest over the claims of M/s. IRCON on the condition that M/s. IRCON will withdraw its claim

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of the aforesaid Rs. 5 crores. The Committee has finally agreed to the proposal and decided to settle the matter at 14% interest of the claim awarded by the Arbitration Tribunal. Keeping in view of the discount offered by IRCON, it was also agreed to that both the parties will withdraw the respective cases pending in the City Civil Court relating to the said awards including the claim of GSB challenged by IRCON International Ltd., and that the IRCON will be paid an amount of Rs. 13,24,99,665/- calculated till 28-02-2009 in terms of the said Out of Court settlement.

4. Government after careful examination of the matter, hereby accord sanction for an amount of Rs. 13.25 crores under the head "5054 – Capital Outlay on Roads and Bridges – 04 District and Other Roads – MH 800 other expenditure – GH 11 Normal State Plan – SH (19) Road Development works under APERP 9 (to be opened)" under Plan outlay for Budget Estimates, 2009-10 (Final).

5. The Chief Engineer (R&B) Core Road Network & Managing Director, Andhra Pradesh Road Development Corporation shall take further action for making payment of the sanctioned amount to the IRCON, accordingly.

6. This order issues with the concurrence of Finance (Expr.PW) Department vide U.O.No. 007044—B/343/A2/Expr.PWD/09, dt. 24-3-2009.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

A.K. PARIDA  
PRINCIPAL SECRETARY TO GOVERNMENT

To  
The Chief Engineer (R&B) Core Road Network &  
Managing Director,  
Andhra Pradesh Road Development Corporation, Hyderabad.

Copy to:  
The Accountant General, AP, Hyderabad.  
The IRCON International Ltd., Bangalore.  
The PS to M (R&B)  
The PS to Prl. Secretary to CM.  
The Finance (Expr.PW) Department  
SF/SC.

//FORWARDED BY ORDER//

SECTION OFFICER